

Message Text

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SUBJ: SANKO EFFORTS TO GAIN CONTROL OF JAPAN LINES

REF STATE 56039

SUMMARY: SANKO LINES HAS ACQUIRED 150 MILLION SHARES OF JAPAN LINES STOCK, OR ABOUT 42 PERCENT OF TOTAL OUTSTANDING SHARES. JAPAN LINES DID NOT KNOW UNTIL FAIRLY RECENTLY THAT ITS STOCK WAS BEING ACCUMULATED BY SANKO SINCE PURCHASES WERE MADE QUIETLY THROUGH THIRD PARTIES -- MOSTLY SMALL SECURITIES FIRMS IN OSAKA -- OVER A PERIOD EXTENDING FROM NOVEMBER 1971. END SUMMARY.

1. IN DISCUSSION WITH EMBOFF, HEAD OF JAPAN LINES GENERAL ADMINISTRATION DEPT., Y. MIYAZAKI, CONFIRMED SANKO LINES HAS ACQUIRED LARGE BLOCK OF JAPAN LINES STOCK. SANKO LINES' OSTENSIBLE PURPOSE IN ACQUIRING STOCK, HE SAID, WAS TO FORM THE BASIS FOR A BUSINESS TIE- UP. HE ASSERTED HOWEVER, THAT IF THIS HAD BEEN THE ONLY PURPOSE, SANKO NEED NOT HAVE ACQUIRED MORE THAN ABOUT TEN PERCENT OF JAPAN LINES STOCK. THIS STILL WOULD HAVE LEFT SANKO AS LARGEST SINGLE SHAREHOLDER. THEREFORE, THERE WAS A STRONG PRESUMPTION THAT SANKO'S TRUE PURPOSE WAS TO GAIN CONTROL OF JAPAN LINES. MIYAZAKI EXPLAINED THAT IT WOULD NOT ACTUALLY BE POSSIBLE FOR SANKO TO ACQUIRE A MAJORITY INTEREST, HOWEVER, SINCE THERE ARE NOW ONLY A FEW QTE FLOATING UNQTE SHARES OUTSTANDING, AND ALL OTHER HOLDERS OF SIZEABLE BLOCKS OF SHARES OTHER THAN JAPAN LINES ITSELF (PRINCIPALLY

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TOKYO MARINE FIRE INSURANCE CO; IHI HEAVY INDUSTRIES;
AND INDUSTRIAL BANK OF JAPAN) CAN BE COUNTED ON NOT TO
SELL TO QTE OUTSIDERS UNQTE.

2. MIYAZAKI ADDED THAT WHILE A BUSINESS TIE- UP WOULD
BE VERY USEFUL TO SANKO, IT WOULD BE OF NO ADVANTAGE
TO JAPAN LINES. HENCE JAPAN LINES IS STRONGLY OPPOSED TO ANY
SUCH ARRANGEMENT. HE COMMENTED THAT THE MINISTRY OF
TRANSPORT (MOT) ALSO IS CONCERNED ABOUT THE PROSPECTS
OF A JAPAN LINES- SANKO TIE- UP , BUT HAS NOT FORMALLY
INTERVENED UP TO THIS POINT. EMBASSY DISCUSSIONS
WITH MOT SHIPPING BUREAU OFFICIALS CONFIRMS THIS
ATTITUDE.

3. RE EXTENT OF CONTROL EXERCISED, MIYAZAKI EX-
PLAINED THAT THE PRESIDENT OF SANKO LINES (TOSHIO
KOMOTO) HAD NOT SOUGHT TO REPLACE ANY OF JAPAN LINES
TOP MANAGEMENT OFFICIALS WITH HIS OWN MEN. THEREFORE,
DESPITE HIS OWNERSHIP OF 42 PERCENT OF JAPAN LINES
STOCK, KOMOTO DOES NOT AT PRESENT EXERCISE ACTUAL
CONTROL OVER THE COMPANY.

4. MIYAZAKI COMMENTED THAT THE SITUATION IS NEVERTHE-
LESS HIGHLY EMBARRASSING TO JAPAN LINES. HE SAID THAT
AS MATTERS NOW STAND, KOMOTO HAS OFFERED TO SELL BACK
TO JAPAN LINES MOST OF THE STOCK SANKO ACQUIRED,
RETAINING ONLY A TEN PERCENT INTEREST. HOWEVER,
MIYAZAKI NOTED THAT THIS STILL LEAVES JAPAN LINES
WITH PROBLEM OF FINANCING THE REPURCHASE. JAPAN
LINES SHARES ARE CURRENTLY BEING QUOTED ON THE TOKYO
EXCHANGE AT 688 YEN. EVEN AT A QTE NEGOTIATED UNQTE
PRICE, MIYAZAKI SAID, REPURCHASE OF LARGE PART OF
STOCK HELD BY KOMOTO OBVIOUSLY WOULD BE EXTREMELY
BURDENSOME TO JAPAN LINES. (MIYAZAKI SAID JAPAN
LINES HAD ESTIMATED THAT KOMOTO ACQUIRED THE 150
MILLION SHARES FOR ROUGHLY 30 BILLION YEN, OR AVERAGE
PRICE OF 200 YEN PER SHARE.)

5. FYI. IN ADDITION TO HIS INTERESTS IN SANKO LINE AND
SEVERAL OTHER BUSINESS ENTERPRISES, KOMOTO HAS BEEN
AN LDP DIET MEMBER SINCE JUST AFTER WW II, AND WAS MINISTER
OF POSTS AND TELECOMMUNICATIONS BETWEEN 1968 AND 1970.
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ACCORDING TO MIYAZAKI, THE OPPOSITION JAPAN SOCIALIST

PARTY HAS SOUGHT TO MAKE POLITICAL CAPITAL OUT OF
KOMOTO' S QTE STOCK MANIPULATION UNQTE ACTIVITIES, IN-
VOLVING HIS OWN COMPANIES AS WELL AS JAPAN LINES. THIS
APPARENTLY IS THE SUBJECT OF DIET DEBATE REFERRED TO IN
PARA 1 REFTTEL. END FYI.
SHOESMITH

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